FINANCE REPORT FOR ET DISCUSSION

June 2015

FINANCIAL OVERVIEW & KEY RISK AREAS

DP Income

Year to date actual income is £4.159M which is within 1% of budget year to date for June. Given that we are so close to forecasted budget year to date, the full year forecast of £18M is deemed appropriate to remain as the full year forecast moving into quarter 2.

Cash Underspend

Underspend continues to be a risk. At the end of quarter 1, income is exceeding costs by £300k. At this stage, it is difficult to assess if this is a true underspend or due to the timing of expenditure, however if we continued to spend at this rate, a material underspend is a key business risk.

We will continue to diminish this risk by:

- Review of income forecasts each month for accuracy/ prudence
- Fee income strategic work around how we set our fee levels
- Isolate key spend areas or projects that could be accelerated or put on hold for a quick turnaround if our environment changed with little notice
- Balance sheet reporting and cash flow reports are being developed and will be available once the purchase management system has been installed – expected to be in place by late 2015.

Staff Recruitment

Staff costs pose a significant risk to the business if recruitment cannot keep up with budgeted staff levels. There is a large scale recruitment drive underway which continues to diminish the risk of a material underspend. Staff costs are £31k under budget, which represents only 1%.

Due to the decision by HM Treasury that specific approval should have been sought for the Deputy Commissioner salary increases, an administrational fine of £18,400 has been imposed and will be recognised within this financial year. This will be budgeted for within salary costs from BV2 onwards. Retrospective approval was given and a briefing note included in the 2014/15 annual report.

Capital Spend

Our 'allocated' capital budget has now been informally confirmed as £850k (formal approval to follow at Budget Version 2) which is a very positive outcome following a month of uncertainty. Although this is a real achievement, we have been assured that this is unlikely to be available in coming years. As such, we need to start planning how we can negotiate

with the MOJ on this issue or else what kind of business model we can realistically operate with a minimal capital budget.

Budget Version 2
Budget version 2 will be submitted to the MOJ at the end of July and will be internally reported on from July management reports onwards.

Budget Review Update
Budget reviews appear to be well received and more and more engagement is seen from budget holders as they get to grips with their monthly reports and how best to interpret the information.

Purchase Management System
Initial planning work has started on the purchase management system; work is expected to start later this month. Final delivery on the project may be delayed slightly subject to third party resource availability however this is considered to be a minimal risk to the business and financial output.

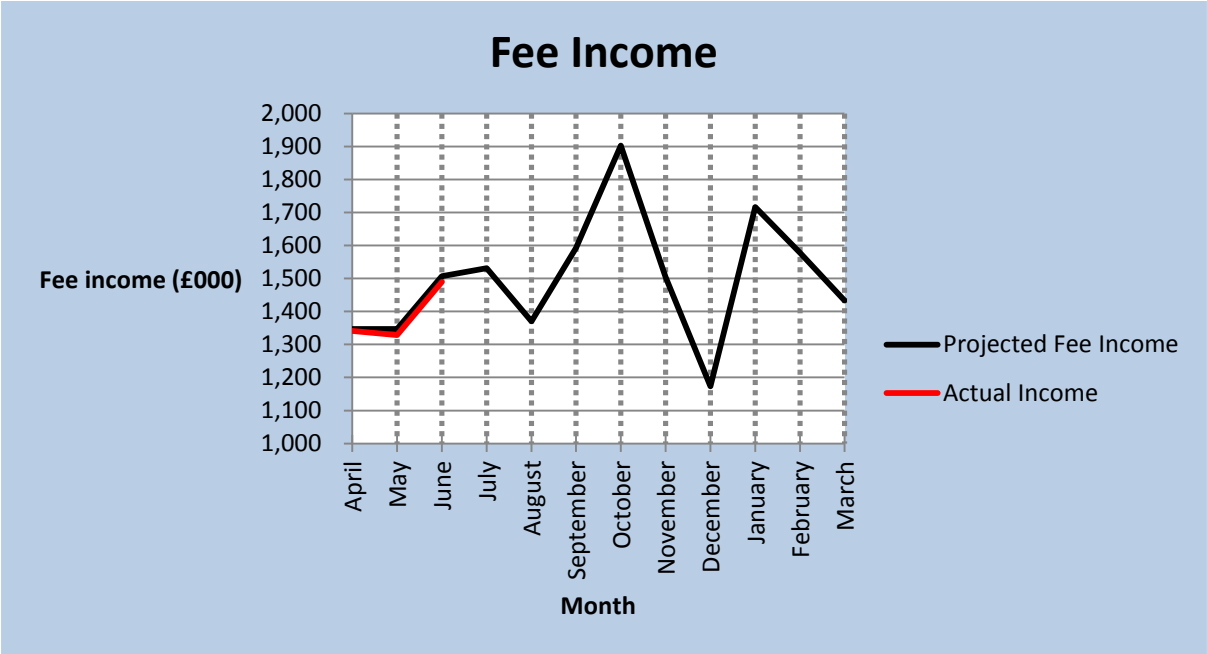
INCOME

Grant-in-aid for freedom of information activities

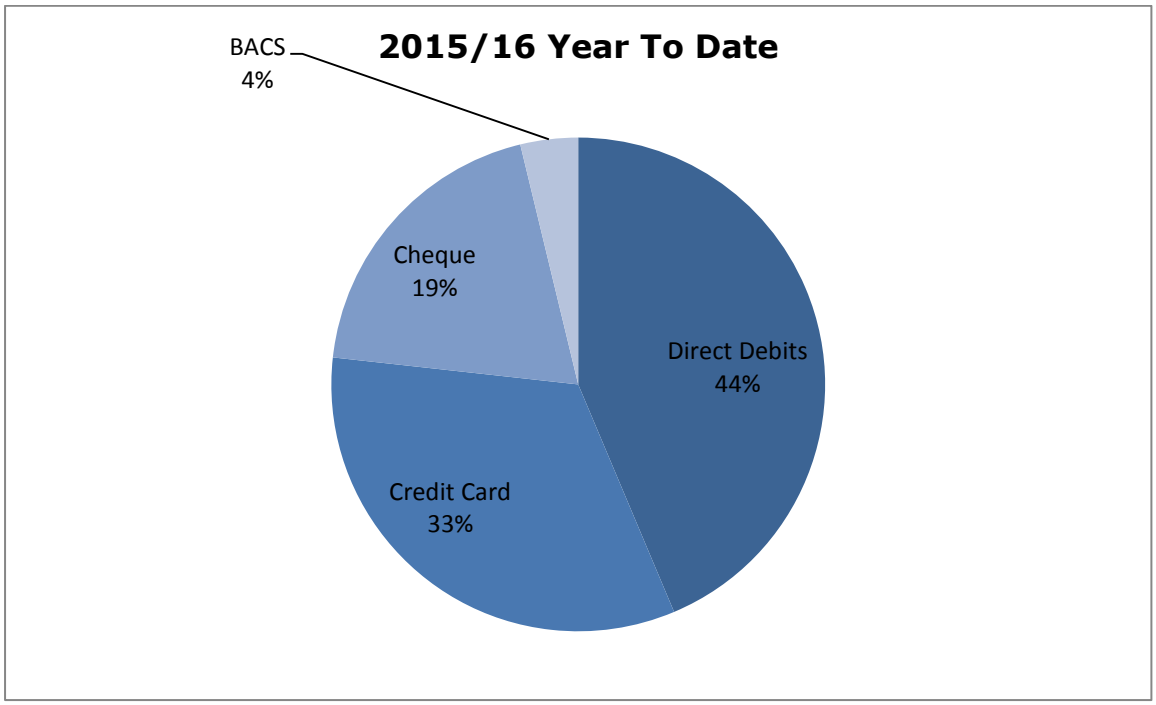
The grant-in-aid available for drawdown over 2015-16 has been confirmed at £3.7M, the first tranche of £938k has been drawn, three further drawdowns are expected in July, October and January of £921k each.

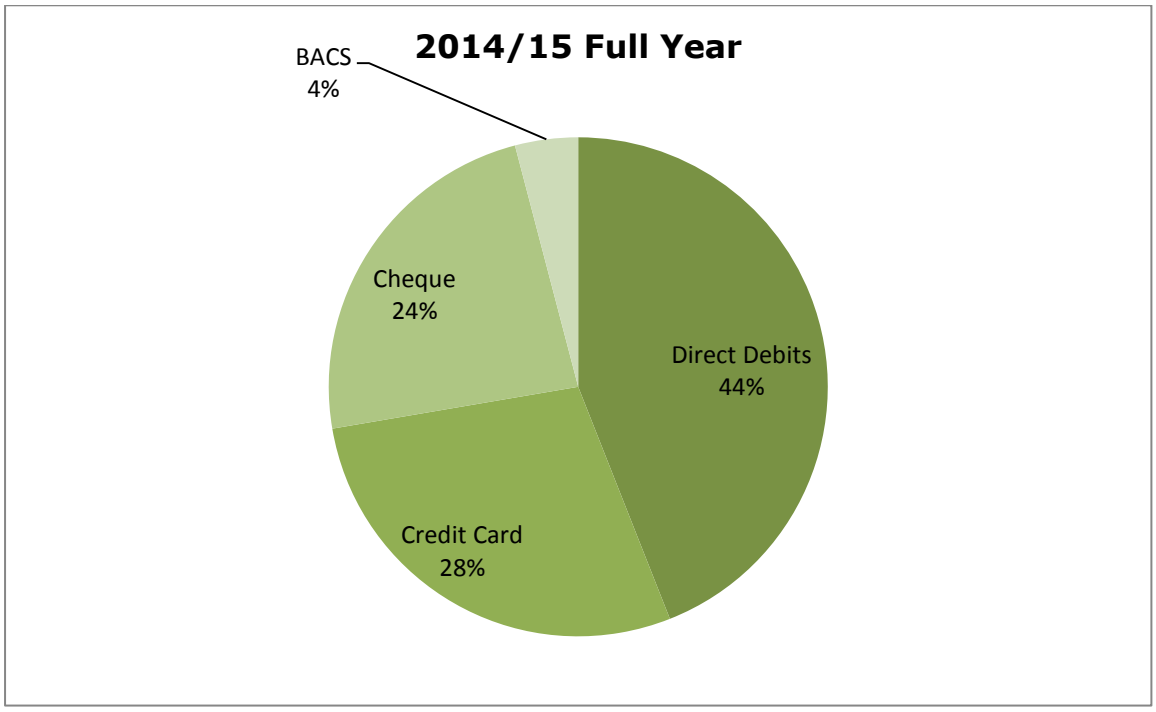
Data Protection fees processed

The chart below shows the actuals vs our current budget for the year 2015/16.



The year to date fee payment method split is shown below, showing a definite trend towards credit card payments (↑5%) and away from cheques (↓5%) from the average over 2014/15. Direct Debits and BACS payments remain consistent to 2014/15.





EXPENDITURE

Spending controls

The ICO is complying with the Cabinet Office Spending Controls Guidance v 4.0

https://www.gov.uk/government/publications/cabinet-office-controls/cabinet-office-controls-guidance-version-40

We are also required to obtain specific MOJ approval for any IT or communications spend over £50k for individual projects. We will only be required to report spend over £50k not included in the original budget. No such spend has occurred to date.

Total office costs

There are quite a few categories within office costs that are over or under budget, as this is the first year we have separated out all of the distinct categories, the budget needs further work to make sure that each category is sufficiently resourced. Overall the budget is within 3% and not considered to be a risk of material over or underspend. This will be monitored closely going forward.

Total staff FTE report and costs

Staff costs have come in £31k below forecasts for June (£83k underspend in May). This is testament to the large scale recruitment drive across the

business mitigating the risk of under-resourcing. From the FTE compliment report (at the bottom of management report); there are 14.4 vacancies at present, the majority of which are due to be filled in July. There are a further 30 vacancies budgeted to be starting in September so that will be a key month for monitoring any risk of being under compliment and budget.

Training and Recruitment

Recruitment is over budget by £8.5k, largely due to the costs of recruitment of a new deputy commissioner. There are also some minor underspends amongst training, although expectation is that the overall spend will be to budget.

IT Costs – Service Delivery

IT spend overall is to budget (within 4%), there are some minor fluctuations against budget lines where the spend is determined by usage – printing usage and telephony, which is to be expected.

Considering the major business impact of the IT incident in May, the actual realised costs (outside resource downtime) have been kept to a minimum and have been estimated at less than £15k. This additional cost has been swallowed up by savings made against other IT budgets such as security and printing and is therefore not expected to cost more than the planned IT budget.

IT Projects

There is a small underspend within IT projects of £29k (20%). This is due to the IT incident taking up all resources although it is not expected to have any long term impact on the annual budget spend.

Communications Spend

There is further work that needs completing within the communications budget overall with budget profiling and how items are coded to budgets. This sort of under and overspends should be reduced once we have implemented the purchase management system whereby budget holders code their own orders rather than finance selecting the most appropriate code. Overall, despite a 14% underspend at this stage, the communications budget is expected to spend to date.

Banking, finance & audit costs

Finance costs are as expected.

Staff travel

Overseas travel is higher than expected across the executive, policy delivery and enforcement teams; however this is expected to decrease over the summer months where travel costs are historically reduced.

Legal, professional & other

Legal is expected to spend to budget but can fluctuate according to case load.

Other costs relating to library and subscriptions tend to be front loaded hence the immaterial overspends across each category. This is not considered to be of risk.

A research budget should be recognised and recommendation is that it should be built into the budget version 2.

The additional amount of £13k spent on professional services is largely down to much higher forensic activity than usual within enforcement and there is a £10k system charge within the HR department that was budgeted for in 2014/15 rather than current year and will therefore need recognising in budget version 2.

CAPITAL EXPENDITURE

There is c. £40k of capital spend to date on the Data Storage Solution.

Civil Monetary Penalties

The current debtor of CMPs owed to the ICO as at 30 June 2015 is £60,000.

B/f 2014-15	142,500
Issued gross	160,000
Issued increase post appeal	-
Issued discount	(32,000)
Net	270,500
Paid	(135,500)
Impaired	(75,000)
Balance	**60,000**

Simon Entwisle, Deputy Chief Executive Officer
June 2015

MANAGEMENT REPORT

For the Three Months Ending 30 June 2015

	Year To Date				Full Year			
	BV1 JUNE 15 (£)	Actual	Variance	Var %	BV1 JUNE 15 (£)	Forecast (£)	Variance	Var %
GRANT IN AID	937,500	937,500	0	0%	3,700,000	3,700,000	0	0%
DP FEE INCOME	4,199,602	4,158,506	41,096	1%	18,000,000	17,958,904	41,096	0%
DRIPA INCOME	82,500	82,500	0	0%	330,000	330,000	0	0%
TRAVEL INCOME - UK	0	1,354	(1,354)	0%	0	1,354	(1,354)	0%
TRAVEL INCOME - OVERSEAS	0	2,611	(2,611)	0%	0	2,611	(2,611)	0%
LEGAL COSTS RECOVERED	0	774	(774)	0%	0	774	(774)	0%
BANK INTEREST	0	171	(171)	0%	0	171	(171)	0%
CONFERENCE INCOME	0	3,361	(3,361)	0%	44,000	47,361	(3,361)	(8%)
TOTAL INCOME	**5,219,602**	**5,186,778**	**32,824**	**1%**	**22,074,000**	**22,041,176**	**32,824**	**0%**
Income Check	*(5,219,602)*	*(5,186,778)*	*(32,824)*	*1%*	*(22,074,000)*	*(22,041,176)*	*(32,824)*	*0%*
RENT	189,817	186,155	3,663	2%	759,270	755,607	3,663	0%
RATES	58,512	56,160	2,352	4%	234,049	231,697	2,352	1%
SERVICE CHARGES	6,500	7,552	(1,052)	(16%)	26,000	27,052	(1,052)	(4%)
CAR PARKING	37,944	37,792	152	0%	117,576	117,424	152	0%
HEAT & LIGHT	21,000	25,660	(4,660)	(22%)	89,100	93,760	(4,660)	(5%)
WATER	3,999	3,945	54	1%	16,000	15,946	54	0%
CLEANING	13,000	13,824	(824)	(6%)	52,000	52,824	(824)	(2%)
SECURITY	16,608	19,323	(2,715)	(16%)	48,432	51,147	(2,715)	(6%)
WASTE	1,014	1,683	(669)	(66%)	4,056	4,725	(669)	(16%)
STORAGE	3,468	4,820	(1,352)	(39%)	13,872	15,224	(1,352)	(10%)
REPAIRS & MAINTENANCE	60,442	53,072	7,370	12%	100,219	92,850	7,370	7%
MOTOR COSTS	501	56	445	89%	2,000	1,555	445	22%
KITCHEN	5,375	(3,342)	8,717	162%	21,500	12,783	8,717	41%
FURNITURE	5,868	1,228	4,640	79%	23,475	18,835	4,640	20%
GENERAL EQUIPMENT	8,751	4,818	3,933	45%	55,000	51,067	3,933	7%
STATIONERY	7,500	7,972	(472)	(6%)	30,000	30,472	(472)	(2%)
POSTAGE	15,211	22,552	(7,341)	(48%)	60,845	68,187	(7,341)	(12%)
DOCUMENT DESTRUCTION	2,499	1,295	1,204	48%	10,000	8,796	1,204	12%
TOTAL OFFICE COSTS	**458,010**	**444,565**	**13,444**	**3%**	**1,663,394**	**1,649,950**	**13,444**	**1%**
SALARIES	2,594,060	2,492,446	101,615	4%	11,145,921	11,044,307	101,615	1%
OVERTIME	20,000	20,568	(568)	(3%)	80,000	80,568	(568)	(1%)
PENSION	540,186	528,193	11,993	2%	2,320,151	2,308,158	11,993	1%
NATIONAL INSURANCE	181,584	187,479	(5,894)	(3%)	780,215	786,109	(5,894)	(1%)
AGENCY STAFF	0	74,502	(74,502)	0%	0	74,502	(74,502)	0%
NON EXEC BOARD MEMBER	12,625	13,908	(1,283)	(10%)	50,500	51,783	(1,283)	(3%)
TOTAL STAFF COSTS	**3,348,456**	**3,317,096**	**31,360**	**1%**	**14,376,787**	**14,345,426**	**31,360**	**0%**
RECRUITMENT	12,501	21,046	(8,545)	(68%)	50,000	58,545	(8,545)	(17%)
HEALTH & SAFETY	6,249	7,776	(1,527)	(24%)	25,000	26,527	(1,527)	(6%)

MANAGEMENT REPORT

For the Three Months Ending 30 June 2015

	Year To Date				Full Year			
	BV1 JUNE 15 (£)	Actual	Variance	Var %	BV1 JUNE 15 (£)	Forecast (£)	Variance	Var %
FURTHER EDUCATION	1,500	0	1,500	100%	6,000	4,500	1,500	25%
TRAINING COURSES	1,401	(600)	2,001	143%	30,104	28,103	2,001	7%
CONFERENCES	21,000	23,280	(2,280)	(11%)	84,000	86,280	(2,280)	(3%)
MANAGEMENT DEVELOPMENT	6,000	2,388	3,612	60%	24,000	20,388	3,612	15%
TOTAL TRAINING AND RECRUITMENT	**48,651**	**53,891**	**(5,240)**	**(11%)**	**219,104**	**224,344**	**(5,240)**	**(2%)**
HOSTING, WEB AND TELEPHONY	174,999	178,677	(3,678)	(2%)	709,997	713,675	(3,678)	(1%)
APP & DESKTOP SUPPORT	170,001	178,663	(8,662)	(5%)	690,000	698,662	(8,662)	(1%)
SOFTWARE LICENSING	71,250	73,600	(2,350)	(3%)	285,000	287,350	(2,350)	(1%)
SECURITY CONTRACT	0	0	0	0%	50,000	50,000	0	0%
NOTIFICATION PRINTING	38,751	46,693	(7,942)	(20%)	155,000	162,942	(7,942)	(5%)
MANAGED PRINT	10,557	9,351	1,206	11%	42,231	41,025	1,206	3%
HARDWARE MAINTENANCE	20,001	8,940	11,061	55%	80,000	68,939	11,061	14%
GOV SECURE INTERNET	32,490	36,000	(3,510)	(11%)	130,000	133,510	(3,510)	(3%)
TELEPHONY CALLS & BROADBAND	23,001	30,664	(7,663)	(33%)	92,000	99,663	(7,663)	(8%)
TOTAL IT COSTS	**541,050**	**562,588**	**(21,538)**	**(4%)**	**2,234,228**	**2,255,766**	**(21,538)**	**(1%)**
ICE CRM DEVELOPMENT	50,000	43,022	6,978	14%	250,000	243,022	6,978	3%
FINANCE SYSTEM	0	6,730	(6,730)	0%	0	6,730	(6,730)	0%
MOBILE WORKING SOLUTIONS	0	3,441	(3,441)	0%	0	3,441	(3,441)	0%
DOCUMENT STORAGE SOLUTION	10,000	0	10,000	100%	100,000	90,000	10,000	10%
DIGITAL DELIVERY	5,000	1,159	3,841	77%	250,000	246,159	3,841	2%
INFRASTRUCTURE	30,000	37,379	(7,379)	(25%)	300,000	307,379	(7,379)	(2%)
OTHER PROJECT WORK	45,000	19,720	25,280	56%	315,000	289,720	25,280	8%
TOTAL PROJECT SPEND (INC CAPITAL)	**140,000**	**111,451**	**28,549**	**20%**	**1,215,000**	**1,186,451**	**28,549**	**2%**
CAMPAIGNS, MEDIA RELATIONS & PR	11,250	870	10,380	92%	45,000	34,620	10,380	23%
MEDIA MONITORING	11,250	11,160	90	1%	45,000	44,910	90	0%
DESIGN & PRINT	13,749	22,439	(8,690)	(63%)	55,000	63,690	(8,690)	(16%)
DISTRIBUTION	9,999	4,220	5,779	58%	40,000	34,221	5,779	14%
SURVEYS	16,500	2,646	13,854	84%	66,000	52,146	13,854	21%
CONFERENCES	53,999	64,206	(10,207)	(19%)	104,000	114,207	(10,207)	(10%)
ICON DEVELOPMENT	6,000	1,325	4,675	78%	24,000	19,325	4,675	19%
STAFF EVENTS	11,500	12,150	(650)	(6%)	16,000	16,650	(650)	(4%)
WEB MAINTENANCE	7,500	2,758	4,742	63%	30,000	25,258	4,742	16%
TOTAL COMMUNICATIONS	**141,747**	**121,775**	**19,972**	**14%**	**425,000**	**405,028**	**19,972**	**5%**
BANK CHARGES	10,000	10,201	(201)	(2%)	40,000	40,201	(201)	(1%)
CARD PROCESSING CHARGES	18,000	16,920	1,080	6%	72,000	70,920	1,080	2%
EXTERNAL AUDIT	7,500	7,500	0	0%	30,000	30,000	0	0%
INTERNAL AUDIT	9,342	8,802	540	6%	37,368	36,828	540	1%
TOTAL FINANCIAL COSTS	**44,842**	**43,423**	**1,419**	**3%**	**179,368**	**177,949**	**1,419**	**1%**